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PRO-BUSINESS BANK APPROVED 128 CREDITS

The Pro-Business Bank - Macedonian Bank for micro-financing has approved 128 credits in total amount of Euro 622,900 in the first ten days of its work. The bank says that most attractive are the credits up to Euro 10,000. The Bank has branch offices in Skopje, Tetovo, Kumanovo, Gostivar and Tetovo. The Bank, which started operating last month, is focused on supporting small and medium size enterprises.

OUTSTANDING ALLOWANCES MAY BE PAID IN 36 INSTALLMENTS

Companies that have outstanding allowances may pay them in 36 installments with a minimal interest rate, Minister of Labor and Social Policy Jovan Manasievski said on August 12 at a press conference. The Government made this decision as a short-term measure for solving the problems with unpaid allowances that many companies in the country have been facing. The total debt for pension insurance by June 2003 was Denar 5 billion, referring to 75,307 employees in 415 companies. The number does not include loss-making companies.

According to data presented, the total debt of companies to the Fund for Pension and Disability Insurance, including the loss-making companies is Denar 10.6 billion, while the debt to the Health Insurance Fund is Denar 2.3 billion. The Government also foresees long-term measures, such as changing the Law on payment operations, the Law on bankruptcy, the Trade companies Law and the Law on insurance for disabled persons.

IMF SATISFIED WITH REALIZATION OF STAND-BY ARRANGEMENT

In general, Macedonia has meet conditions of the stand-by arrangement in the first half of 2003, Head of the International Monetary Fund (IMF) Mission Franek Rozwadowski said on August 8 at a joint press conference with the Macedonian Minister of Finance Petar Gosev and the Governor of the National Bank (NBM) Ljube Trpeski. Rozwadowski said he would recommend the IMF Board to release the second installment of US\$ 5 million. The IMF Board of Directors is to hold its session in October.

Despite the IMF recommendation for the revenue surplus of Denar 500 million to be saved for the next year, Gosev said that the funds would be used for investing and for current expenditures. "The savings will be used in accordance with determined plan that will not affect the declining tendency of the interest rates," Gosev said. Trpeski said that NBM would apply all available instruments to maintain the stability of the prices and of the local currency.

The only remark presented by IMF referred to the health sector, as the number of employees was not reduced by the first half of this year as foreseen by the stand-by arrangement. Asked about a reform of the public administration, Rozwadowski said there was a room for rationalization of the public sector in Macedonia. However, the Government should decide on the number of employees that would be dismissed.

GOVERNMENT PROGRAM FOR ATTRACTING INVESTMENTS

Macedonian Government adopted a Program for stimulating investments in Macedonia, aimed to improve productivity, competitiveness, and make the country an attractive place for investing. Minister of Economy Ilija Filipovski presented the program on August 12 saying that the program is rather ambitious, but it enjoys Government's support and will be realized.

The Program contains principles of modern, open and competitive economy, indiscrimination, as well as principles of making stable and democratic economic environment. It also includes investments' promotion, the right of free transfers in investment and expropriation protection, predictable and transparent legislation without administrative barriers, objectivity, efficiency and transparency of the court system. A struggle against corruption, bribe and partiality, as well as creating a tax policy favorable for investments and development of investment conditions in accordance with the EU Stabilization and Association Agreement are also encompassed with the Program.

A promotion of an agency for foreign investments is also part of the program. The Agency will work on the principle of "one window system", enabling investors to acquire all necessary documents from one institution. Establishing the new agency will mean closing down the Agency for Development and Investments, the Agency for Privatization and the Bureau for Free Zones.

Stable macroeconomic environment, democratic and economic reforms, inexpensive and qualified manpower, favorable conditions for the investors, geographic vicinity to bigger regional and European markets and crossing of the Corridors 8 & 10, as well as solid infrastructure, are investment priorities. However the war conflict in this region, small domestic market, low income per capita, high-centralized country, old industrial technology, rigid labor market and judicial inefficiency are weaknesses for attracting investments.

In the next period Macedonia should also make reforms in the areas, such as registration procedure of a companies, labor legislation, building permits issuance and customs administration. The Government is to meet these obligations by the end of 2003.

NO ANNUAL LEAVE BONUS FOR PUBLIC SECTOR EMPLOYEES

There will be no annual leave bonus for employees at the public sector, Minister of Labor and Social Policy Jovan Manasievski said after the meeting between the leadership of Trade Unions Federation (SSM) and Prime Minister Branko Crvenkovski, who was accompanied by the Minister of Economy Ilija Filipovski and the Minister of Finance Petar Gosev.

Manasievski said the budget could not be burdened with expenditures for annual leave bonus. In addition, it would not be fair to grant such bonuses to employees at the public sector, considering the ongoing process of cutting the number of employees and the bankruptcy of companies. SSM leader Vanko Muratovski said the trade unions would not give up and the issue on annual leave bonus would be raised again at some of the future meetings with government representatives. He said that workers' protests, announced for September, would be discussed with the branch trade unions, which are to make a decision on the matter.

The status of employees at the loss-making companies with over 25 years of working experience would be determined after selling those companies by the end of 2003. "We are trying to find an appropriate solution for those employees. We shall agree on the measures for their status by the end of this year, when we will have the exact number of such employees," Manasievski said.

BRUTON: MACEDONIA MAY SOLVE ITS PROBLEM WITH UNEMPLOYMENT

Macedonia's priority now is to gain a status of candidate country for the European Union membership, which will give great confidence to foreign investors to come here and employ the young and dynamic people of Macedonia, former Irish Prime Minister John Bruton said on August 22 after a meeting with the Prime Minister Branko Crvenkovski. Bruton's visit to the country is aimed at reviewing possibilities for applying of the Irish economic experience in Macedonia, particularly in attracting foreign investments.

Pointing out that Ireland has been very successful in the 1990s in attracting foreign investments, Burton said that Ireland had the same advantage as Macedonia of being a small country, "where you can get a quick decisions if you are foreign investors." "Ireland has been able to introduce a very stable system of business taxation, which still is not changed even when the government changes, which is a big advantage. We have invested very heavily in technical education, which has helped us to attract foreign investments, because they need skilled employees. This has been an advantage in Ireland, which I am sure could be brought into effect here, " Bruton said.

Bruton expressed hope that he would be able to help Macedonia to attract foreign investments and to move forward to full employment. "It seems very far away at this stage, when unemployment is almost 30 percent, but full employment is possible to transform an economy as long as one pursues consistent policy with long-term perspectives. Short-term policies do not work, " Bruton said.

PARLIAMENT ADOPTED MODIFICATION OF SEVERAL FINANCIAL LAWS

The Macedonian Parliament adopted the modifications to the Foreign Exchange Law, the National Bank Law, the Banking Law and the Profit tax Law. The modifications to the Foreign Exchange Law should be conducive to greater liberalization in the area of foreign exchange operations. The most important novelty is that all companies will be able to apply for foreign exchange credits. To this end, the banks' deposit potential will be used, which has so far been kept abroad.

The modifications to the National Bank Law increase the independence and transparency of the Central bank. The right of proposing candidates for Vice-governors has been

transferred from the president to the Central Bank Governor. At the same time, the National Bank will independently conduct the policy of the denar exchange rate without having to consult the government, while the National Bank will have to report to the Ministry of Finance on a regular basis about the supervision measures taken in banks and savings banks. The National Bank also loses the right of giving financial guarantees to legal and physical persons.

The modifications to the Banking Law, Minister of Finance Gosev said, have become indispensable because the extant law proved to have many weaknesses over the past three years. The possibility of buying 10 percent of the shares with voting right in any bank without a consent from the Governor made it possible for bad performing companies to take over banks and create problems in them. Therefore, the modifications stipulate that only 5 percent of the bank's shares can be purchased without the governor's consent. The modifications to the Profit Tax Law are expected to create more hospitable investment environment. All that invest up to 100,000 euros will be exempt from paying profit tax.

EU GIVES MACEDONIA EUR 38.5 MILLION FOR REFORMS

The European Commission gave Macedonia 38.5 million euros through the CARDS program for reforms in the area of economy and social affairs, rule of law, courts, police and natural environment protection. All the reforms should be conducted by the end of this year. Deputy Prime Minister Radmila Sekerinska and the EC Head of Mission in Skopje, Donato Chiarini, who signed the document on the start of CARDS this year, said next year the financial aid will have 6 million euros more. "We are tackling the challenge of bringing Macedonia closer to the EU. The message of the summit in Thessaloniki was not if but when this will happen. These programs should be viewed as preparations for the EU integration," ambassador Chiarini said.

Most of the money, or about 20 million euros, is intended for development of the field of economy and social affairs, while 10 million euros is targeted at reforms in the judicial branch and the prosecution, in support to the police academy and the formation of the border police, Sekerinska explained. "As partners, we are making efforts to increase the initiative, the responsibility and the involvement of the Macedonian institutions rendering thus the programs themselves more efficient," Sekerinska said. The EU has so far invested

over 800 million euros in Macedonia, which does not include the bilateral financial aid from the separate EU member states.

BALKANSKA BANKA BECOMES OWNER OF NPC

Balkanska banka bought Makedonska banka's stake of National Payment Card (NPC) of 35 percent and is now in control of a 70 percent stake. Makedonska banka will receive in return 82 million Denars, or 1.3 million euros which will help it avoid a rehabilitation procedure. Makedonska banka's 2,675,135 shares were sold in a block transaction for 30.6 denars per share, which is half the nominal price of 1 euro. The state holds 20 percent of NPC, while the remaining 10 percent are in possession of minor banks and stockholders. The new owners of NPC say they will soon offer traders a long-term leasing for purchasing post-terminals and payment card readers, which was one of the basic obstacles to the NPC project.

PUBLIC PHARMACIES TO BE SOLD INSTEAD OF LEASED OUT

The public pharmacies will probably be offered for sale instead of being leased out to their employees. The Government has instructed the Ministry of Health to prepare a sales report once the proposal for modifications to the Health Protection Law was found unacceptable. The proposed modifications, which did not receive a government go-ahead, stipulated that pharmacies should be leased out to the employees. Unlike the proposal of the Ministry of Health for leasing out, the Ministry of Finance and the Health Insurance Fund asked that state-owned pharmacies to be sold off.

The public pharmacies have 9,000 square meters of offices at their disposal, chiefly at attractive locations. Gradski Apteki Skopje alone has about 15 outlets with approximately 250 employees. Government Spokesperson Saso Colakovski says the reforms in the pharmaceutical industry are yet to be defined. "The privatization of the pharmacies will not be regulated by a law. It will be done according to by-law rules instead. The law is supposed to set the frame of their transformation. Additional rules, however, will determine if they will be offered at the stock market, if tenders will be announced or if there will be any other type of sale," Colakovski said.

OHIS TO BE PRIVATIZED

Macedonia's largest chemical factory OHIS will soon begin its final stage of privatization. It is said that two privatization options are currently being analyzed. According to some, OHIS should be divided in several profitable parts to be sold off separately, like for example the factory for detergents, while the parts making no profit, such as the Malon factory, should close down. In this case, OHIS will be privatized through a tender. According to the other concept, OHIS should be sold as a whole and speculation has it that such an investor has already appeared. In this case, OHIS will be privatized through the Stock Exchange.

TEXTILE COMPANIES HIT BY THE DOLLAR DEPRECIATION, DEMAND QUOTA INCREASE

According to the analyses of the textile industry experts, in the first three months of this year, the depreciation of the dollar brought losses of US\$ 3.5 million to the major Macedonian textile companies exporting to the U.S. market. Teteks, Dekon, Geras Cunev, Daniteks, Mokel, Vinka, etc, were hit most by the depreciation of the dollar. If the dollar depreciation continues, textile producers may generate losses of 800,000 to 1 million dollars. Last year, the textile industry lost US\$ 2.8 million.

Losses keep rising in the second quarter too, owners of textile companies say. The situation is even more alarming considering the fact that in the first quarter textile was the only Macedonia's product exported to the U.S. market. Textile producers say that if the state fails to find a way to help them go through this difficult period, they will be forced to sack part of the employees. They are calling for an urgent meeting with government officials to overcome the crisis caused by the dollar depreciation.

"The only quota that gets on well and which U.S. importers asked to be increased is the men's woolen coats. But this is not enough," businessmen say. Macedonia and the U.S. have signed an agreement for export of textiles which elapses in 2004 and this is the second time a raise has been asked for certain export categories.

THE FIRST KWH OF ELECTRICITY FROM KOZJAK NEXT YEAR

Stable voltage and frequency as well as regular supply of electricity are the main effects of constructing the hydroelectric power plant Kozjak. The second stage of

filling up the Accumulation lake of the Kozjak hydroelectric power station has recently began. The lake is currently 33 meters deep. Its maximum depth should reach 126 meters. According to ESM (Macedonia's electric power company), 85 percent of the construction works so far have been completed and US\$ 146 million has been spent. The plant's total value is US\$ 171.7 million.

The plant is expected to produce the first kWh of electricity in 2004. The first of the two aggregates is expected to be engaged in June next year and the other one three months later. HEC Kozjak is expected to produce 156 million kWh of electricity per year. The construction of Kozjak was postponed because of the lack of funds, Macedonia's recognition of Taiwan, and the armed conflict of 2001. Kozjak will protect Skopje and its surroundings from floods, will provide drinking water and will produce electricity.

UNATTRACTIVE LOSS-MAKERS TO BECOME FREE ECONOMIC ZONES

According to the daily "Dnevnik", economic experts suggested to the Government the loss-making companies that will not be sold by the end of the year to be declared free economic zones and leased out to private investors. The government found the proposal interesting because it determined that there are no interested investors for certain loss-makers, due to their obsolete technology. The experts suggested that in line with the Free Economic Zone Law, the property of the factories, the whole infrastructure and the machinery should be leased out for a period of 20 years.

The second option they proposed was the unattractive loss-makers to be offered for sale piece by piece. The leaseholders will not be obliged to restart the loss-makers and continue their basic production activity.

The Ministry of Economy and the foreign consultants will have to sell another 15 loss-makers by the end of the year in order to withdraw the remaining US\$ 20 million of the FESAL II arrangement. According to the Privatization Agency, 8 loss-making companies have so far been resolved. In September and October, about ten tenders will be announced for sale of Frinko, ZIK Kocansko pole, Makedonka predilnici, Karpos, MZT FAM, NIP Nova Makedonija, Mikron, Gazela, Porcelanka and the mines of Sasa, Zletovo and Toranica together with the Veles smelting plant.